



**Thomas A. Schweich**  
Missouri State Auditor

---

## Office of State Treasurer

**Year Ended  
June 30, 2013**



---

May 2014

Report No. 2014-034

---

<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Office of State Treasurer

Background	<p>On January 14, 2013, Clint Zweifel was inaugurated for his second term as the forty-fifth Missouri State Treasurer.</p> <p>The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer are to be the custodian of all state funds, and determine the amount of state monies not needed for current operating expenses and invest such monies as allowed by state law. The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.</p>
Salary Increases	<p>The State Treasurer's Office (STO) provided salary increases to some employees that were not provided to other state employees. In addition to a 2 percent cost of living adjustment in July 2012 (an increase provided to state employees paid less than \$70,000 per year), the STO gave four employees salary increases of between 12 and 23 percent (a total annual increase of approximately \$38,000). The Deputy State Treasurer said these salary increases were based on job performance, change in job responsibilities, and a desire to bring the salary of certain STO staff to a level equal to other state employees in similar positions. However, the STO did not prepare and maintain documentation justifying the pay increases and did not document how the amounts of the increases were determined.</p>

In the areas audited, the overall performance of this entity was **Good**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

OFFICE OF STATE TREASURER

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
State Auditor's Reports: .....	2-7
Independent Auditor's Report .....	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	6-7
Management's Discussion and Analysis .....	8-12
Fund Financial Statements:.....	13-22
Treasurer's General Operations Fund: .....	14-15
Balance Sheet.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance.....	15
Treasurer's Information Fund: .....	16-17
Balance Sheet.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance.....	17
Central Check Mailing Service Revolving Fund: .....	18-20
Statement of Net Position .....	18
Statement of Revenues, Expenses and Changes in Fund Net Position.....	19
Statement of Cash Flows .....	20
Abandoned Fund Account Fund: .....	21-22
Statement of Fiduciary Net Position .....	21
Statement of Changes in Fiduciary Net Position .....	22
Notes to the Fund Financial Statements.....	23-31
Required Supplementary Information: .....	32-34
Budgetary Comparison Schedule - Governmental Funds.....	33
Notes to the Required Supplementary Information .....	34

OFFICE OF STATE TREASURER

TABLE OF CONTENTS

	<u>Page</u>
<hr/> <b>FINANCIAL SECTION</b> <hr/>	
Supplementary Information: .....	35-40
 <u>Schedule</u>	
1                      Comparative Statement of Appropriations and Expenditures, 2 Years Ended June 30, 2013.....	36
2                      Comparative Statement of Expenditures (From Appropriations), 2 Years Ended June 30, 2013.....	37
3                      Statement of Changes in General Capital Assets, Year Ended June 30, 2013 .....	38
4                      Comparative Statement of Funds in Custody of State Treasurer, 5 Years Ended June 30, 2013.....	39
5                      Comparative Statement of Interest Received on Pooled Investments, 5 Years Ended June 30, 2013.....	40
Notes to the Supplementary Information.....	41-44
<hr/> <b>MANAGEMENT ADVISORY REPORT SECTION</b> <hr/>	
Management Advisory Report - State Auditor's Findings.....	46-48
<hr/> <b>STATISTICAL SECTION</b> <hr/>	
Organization and Statistical Information.....	50-51

## FINANCIAL SECTION

## State Auditor's Reports



# THOMAS A. SCHWEICH

## Missouri State Auditor

### INDEPENDENT AUDITOR'S REPORT

Honorable Clint Zweifel, State Treasurer  
Jefferson City, Missouri

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1.A., the financial statements of the Office of State Treasurer are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Office of State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter. In addition, the State of Missouri issued its Comprehensive Annual Financial Report for the year ended June 30, 2013, and that report was prepared in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements, collectively, that are referred to in the first paragraph. The supplementary information, as listed in the table of contents, and the organization and statistical information, are presented for purposes of additional analysis and are not a required part of the financial statements.



The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the audit procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The organization and statistical information has not been subjected to the audit procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office of State Treasurer's internal control over financial reporting and compliance.



Thomas A. Schweich  
State Auditor

January 31, 2014

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Heather R. Stiles, MBA, CPA
Audit Staff:	Gina Henley, MBA
	Tessa Oates
	Albert Borde-Koufie, MBA
	Morgan Alexander



# THOMAS A. SCHWEICH

## Missouri State Auditor

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Clint Zweifel, State Treasurer  
Jefferson City, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Office of State Treasurer, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Office of State Treasurer's financial statements, and have issued our report thereon dated January 31, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing of our audit of the financial statements, we considered the Office of State Treasurer's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office of State Treasurer's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office of State Treasurer's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the office's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Office of State Treasurer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter which is described in the accompanying Management Advisory Report.

## **Office of State Treasurer's Response to Finding**

The Office of State Treasurer's response to the finding identified in our audit is described in the accompanying Management Advisory Report. The Office of State Treasurer's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the office's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the office's internal control and compliance. Accordingly, this communication is not suitable for any other purposes. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.



Thomas A. Schweich  
State Auditor

January 31, 2014

## Management's Discussion and Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Office of the Missouri State Treasurer's (the Treasurer's Office) financial activities for the fiscal year ended June 30, 2013.

### HIGHLIGHTS

- The assets of the Treasurer's Office exceeded its liabilities by \$1,374,463. The entire amount may be used to meet the office's ongoing obligations.
- The office's total net assets increased by \$6,939. The increase in net assets was caused primarily by receipts exceeding disbursements in fiscal 2013.
- As of the close of the current fiscal year, the Treasurer's Office governmental funds reported combined ending fund balances of \$1,350,002, an increase of \$10,299 in comparison with the prior year. The total amount is available for spending as of July 1, 2013, at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Treasurer's Office basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Fund Financial Statements:**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Treasurer's Office, like the State of Missouri, uses fund accounting to ensure and demonstrate compliance with statutory requirements. All of the funds of the Treasurer's Office can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for most of the basic services provided by the Treasurer's Office. Unlike the government-wide financial statements prepared by the State of Missouri, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

The Treasurer's Office maintains two individual governmental funds, a general fund and a special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the State Treasurer's General Operations Fund and the State Treasurer's Information Fund.

*Proprietary funds.* Proprietary funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees and utilize the full accrual

basis of accounting. The Treasurer's Office maintains one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the notes to the financial statements.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the state government and also utilize the full accrual basis of accounting. The Treasurer's Office maintains one fiduciary fund, the Abandoned Fund Account Fund, to account for unclaimed property turned over to the state in accordance with state statute.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

## **FUND STATEMENT ANALYSIS**

### **Governmental Funds:**

At the end of fiscal year 2013, the Treasurer's Office governmental funds reported combined ending fund balances of \$1,350,002, an increase of \$10,299 from fiscal year 2012. This entire amount is available for spending at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

Fund balances for the governmental funds are as follows:

	Treasurer's General Operations Fund	Treasurer's Information Fund	Total
Fund Balance	\$1,347,015	\$2,987	\$1,350,002

The Treasurer's General Operations Fund was the primary operating fund for the Treasurer's Office in fiscal year 2013. At the end of fiscal year 2013, the Treasurer's General Operations Fund reported a total fund balance of \$1,347,015. The net increase in fund balance during fiscal year 2013 was \$10,236. Revenues of the Treasurer's General Operations Fund totaled \$2,477,570, and expenditures of the Treasurer's General Operations Fund totaled \$2,467,334. Contributing factors follow:

- The Treasurer's Office deposits a portion of the state's interest earnings into the Treasurer's General Operations Fund pursuant to Section 30.605, RSMo. The fiscal year 2013 ending fund cash balance saw little change from fiscal year 2012 ending fund cash balance, as the office strives to manage the fund cash balance to more closely match the expenditure authority from the fund.

The Treasurer's Information Fund was a supplemental operating fund for the Treasurer's Office in fiscal year 2013. At the end of fiscal year 2013, the Treasurer's Information Fund reported a total fund balance of \$2,987. The net increase in fund balance during fiscal year 2013 was \$63. Revenues of the Treasurer's Information Fund totaled \$613. Expenditures of the Treasurer's Information Fund totaled \$550 in fiscal year 2013. Contributing factors follow:

- In fiscal year 2013 the Treasurer's Information Fund revenues exceeded amounts expended by the fund for the preparation, reproduction, or dissemination of information or publications of the State Treasurer's Office by a minimal amount. The activities of this fund are primarily from 1) public information related cost recoveries; and 2) expenses related to exhibiting the linked deposit program at relevant functions and speaking engagements related to the Unclaimed Property program.

### **Proprietary Funds:**

The Treasurer's Office has one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

The Central Check Mailing Service Revolving Fund's net position decreased by \$3,360. This is primarily due to decrease in the fund cash balances caused by decreased revenues for the fund.

### **NEXT YEAR'S BUDGET**

The Treasurer's Office budget for fiscal year 2014 saw various changes from the appropriation levels in the fiscal year 2013 budget. Several appropriations that had previously been estimated did not retain that status, therefore spending on these items can no longer change as demand increases.

- Abandoned Fund Advertising and Auctions was \$225,000 (Estimated) in fiscal year 2013, and is \$1,475,000 in fiscal year 2014.
- Abandoned Fund to General Revenue transfer was \$30,000,000 (Estimated) in fiscal year 2013, and is \$50,000,000 in fiscal year 2014.
- Linked Deposit Refunds was \$100 (Estimated) in fiscal year 2013, and is \$100 in fiscal year 2014.
- Biennial Transfer was \$1 (Estimated) in fiscal year 2013, and is \$3,000,000 in fiscal year 2014.

The statewide pay plan for fiscal year 2014 provides an increase of \$500 per employee beginning January 1, 2014.

The Treasurer's Office also received a new appropriation of \$225,000 in fiscal year 2014 for the purpose of funding two program models that create sustainable communities and help families achieve economic stability in a county with a charter form of government and with more than six hundred thousand but fewer than seven hundred thousand inhabitants.

On June 29, 2009, Governor Nixon signed the Invest in Missouri legislation that reinvests \$1 billion in Missouri communities. Beginning January 1, 2010, the legislation began phasing out the statutory interest rate cap that tied state time deposits to the return of short-term U.S. Treasury securities. January 1, 2014 ends the phase-out period and all financial institutions with time deposits of state funds shall pay the state a market rate of interest on all amounts deposited.



## Fund Financial Statements

**OFFICE OF STATE TREASURER  
BALANCE SHEET  
TREASURER'S GENERAL OPERATIONS  
FUND 0164  
June 30, 2013**

---

**Assets**

Assets:

Cash and Cash Equivalents	\$	312,493
Investments		1,129,057
Invested Securities Lending Collateral		<u>80,842</u>
Total Assets	\$	<u><u>1,522,392</u></u>

**Liabilities and Fund Balance**

Liabilities:

Accounts Payable	\$	10,817
Accrued Payroll		38,764
Securities Lending Obligation		80,842
Due to Other Funds		<u>44,954</u>
Total Liabilities		<u>175,377</u>

Fund Balance

Unassigned		<u>1,347,015</u>
Total Fund Balances		<u>1,347,015</u>
Total Liabilities and Fund Balance	\$	<u><u>1,522,392</u></u>

The accompanying Notes to Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TREASURER'S GENERAL OPERATIONS**  
**FUND 0164**  
**For the Fiscal Year Ended June 30, 2013**

---

**Revenues:**

Investment Earnings:

Net Increase (Decrease) in Fair Value of Investments	\$ (13,000)
Cost Recovery	2,489,601
Cost Reimbursement / Miscellaneous	<u>969</u>

Total Revenues	<u>2,477,570</u>
----------------	------------------

**Expenditures:**

Current:

General Government	<u>2,467,334</u>
--------------------	------------------

Total Expenditures	<u>2,467,334</u>
--------------------	------------------

Net Change in Fund Balance	10,236
----------------------------	--------

Fund Balances - Beginning	<u>1,336,779</u>
---------------------------	------------------

Fund Balances - Ending	<u><u>\$ 1,347,015</u></u>
------------------------	----------------------------

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER  
BALANCE SHEET  
TREASURER'S INFORMATION  
FUND 0255  
June 30, 2013**

---

**Assets**

Assets:

Cash and Cash Equivalents	\$	647
Investments		2,340
Invested Securities Lending Collateral		<u>168</u>
Total Assets	\$	<u><u>3,155</u></u>

**Liabilities and Fund Balance**

Liabilities:

Securities Lending Obligation	\$	<u>168</u>
Total Liabilities		<u>168</u>

Fund Balance:

Committed for General Government		<u>2,987</u>
Total Fund Balance		<u>2,987</u>
Total Liabilities and Fund Balance	\$	<u><u>3,155</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TREASURER'S INFORMATION**  
**FUND 0255**  
**For the Fiscal Year Ended June 30, 2013**

---

**Revenues:**

Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	\$	(27)
Cost Reimbursement/Miscellaneous		<u>640</u>
Total Revenues		<u>613</u>

**Expenditures:**

Current:		
General Government		<u>550</u>
Total Expenditures		<u>550</u>
Net Change in Fund Balance		63
Fund Balance - Beginning		<u>2,924</u>
Fund Balance - Ending	\$	<u><u>2,987</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF NET POSITION**  
**CENTRAL CHECK MAILING SERVICE REVOLVING**  
**FUND 0515**  
**June 30, 2013**

---

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 132
Investments	477
Invested Securities Lending Collateral	34
Due from Other Funds	21,332
Total Current Assets	<u>21,975</u>

Non-Current Assets:

Capital Assets:

Equipment	13,046
Less Accumulated Depreciation/Amortization	(9,403)
Total Non-Current Assets	<u>3,643</u>
Total Assets	<u>25,618</u>

**Liabilities**

Current Liabilities:

Accounts Payable	1,123
Securities Lending Obligation	34
Total Current Liabilities	<u>1,157</u>
Total Liabilities	<u>1,157</u>

**Net Position**

Net Investment in Capital Assets	3,643
Unrestricted	20,818
Total Net Position	<u>\$ 24,461</u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**CENTRAL CHECK MAILING SERVICE REVOLVING**  
**FUND 0515**  
**For the Fiscal Year Ended June 30, 2013**

---

**Operating Revenues:**

Charges for Services	\$ 79,647
Total Operating Revenues	<u>79,647</u>

**Operating Expenses:**

Personal Service	32,149
Operations	48,117
Depreciation/ Amortization	<u>2,733</u>
Total Operating Expenses	<u>82,999</u>

Operating Income (Loss)	<u>(3,352)</u>
-------------------------	----------------

**Non-Operating Revenues (Expenses):**

Investment Earnings:	
Net Increase (Decrease) in the Fair Value of Investments	<u>(8)</u>

Total Non-Operating Revenues (Expenses)	<u>(8)</u>
---	------------

Change in Net Position	(3,360)
------------------------	---------

Total Net Position - Beginning	<u>27,821</u>
--------------------------------	---------------

Total Net Position - Ending	<u><u>\$ 24,461</u></u>
-----------------------------	-------------------------

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER  
STATEMENT OF CASH FLOWS  
CENTRAL CHECK MAILING SERVICE REVOLVING  
FUND 0515  
For the Fiscal Year Ended June 30, 2013**

---

**Cash Flows from Operating Activities:**

Receipts from Customers and Users	\$ 79,647
Payments to Suppliers	(46,994)
Payments to Employees	(34,523)
Net Cash Provided (Used) by Operating Activities	<u>(1,870)</u>

**Cash Flows from Non-Capital Financing Activities:**

Due to/from Other Funds	645
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>645</u>

**Cash Flows from Investing Activities:**

Proceeds from Sales and Investment Maturities	902
Net Cash Provided (Used) by Investing Activities	<u>902</u>

Net Increase (Decrease) in Cash	(323)
Cash and Cash Equivalents, Beginning of Year	455
Cash and Cash Equivalents, End of Year	<u>\$ 132</u>

**Reconciliation of Operating Income (Loss) of Net**

**Cash Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ (3,352)
Depreciation/Amortization Expense	2,733
Changes in Assets and Liabilities:	
Accounts Payable	1,123
Compensated Absences Payable	(834)
Due to Other Funds	(751)
Accrued Payroll	(789)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,870)</u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.



**OFFICE OF STATE TREASURER  
STATEMENT OF FIDUCIARY NET POSITION  
ABANDONED FUND ACCOUNT  
FUND 0863  
June 30, 2013**

---

**Assets**

Cash and Cash Equivalents	\$ 7,525,401
Investments at Fair Value	27,189,719
Invested Securities Lending Collateral	1,946,816
Capital Assets:	
Equipment	55,076
Software	8,546
Less: Accumulated Depreciation/Amortization	(52,232)
Total Capital Assets, Net	<u>11,390</u>
 Total Assets	 <u>36,673,326</u>

**Liabilities**

Accounts Payable	7,225
Accrued Payroll Payable	32,066
Securities Lending Obligation	1,946,816
Compensated Absences	<u>39,194</u>
 Total Liabilities	 <u>2,025,301</u>

**Net Position**

Net Position Held in Trust for Other Purposes	\$ <u><u>34,648,025</u></u>
---	-----------------------------

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**ABANDONED FUND ACCOUNT**  
**For the Fiscal Year Ended June 30, 2013**

---

**Additions:**

Increase (Decrease) in Appreciation of Assets	\$ (291,685)
Unclaimed Property	49,913,043
Cost Reimbursement / Miscellaneous	110
Disposal of Capital Asset	<u>298</u>

Total Additions	<u>49,621,766</u>
-----------------	-------------------

**Deductions:**

Administrative Expenses	1,742,682
Program Distributions	38,155,002
Depreciation/ Amortization	<u>6,180</u>

Total Deductions	<u>39,903,864</u>
------------------	-------------------

Change in Net Position	9,717,902
------------------------	-----------

Net Position - Beginning	<u>24,930,123</u>
--------------------------	-------------------

Net Position - Ending	<u><u>\$ 34,648,025</u></u>
-----------------------	-----------------------------

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

## Notes to the Fund Financial Statements

OFFICE OF STATE TREASURER  
NOTES TO THE FUND FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying fund financial statements of the Office of State Treasurer have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Office of State Treasurer has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989, for proprietary activities.

The financial statements present the financial position, the changes in financial position and, where applicable, cash flows of only the transactions of the Office of State Treasurer. They do not present the financial position of the State of Missouri as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with GAAP. However, the State of Missouri issued a Comprehensive Annual Financial Report for the State of Missouri for the fiscal year ended June 30, 2013, in conformity with GAAP.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. Expenditures are recognized when the related fund liability is incurred except for compensated absences (accumulated vacation and compensatory time) and sick pay which are recorded as expenditures when paid.

The proprietary and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type

operating statements present revenues and expenses in total net position. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

C. Basis of Presentation

The Office of State Treasurer's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances and changes therein that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds:

- 1) Governmental Funds include the general funds and the special revenue funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the state. The Treasurer's General Operations Fund and the Treasurer's Information Fund are governmental funds.
- 2) Proprietary Funds include internal service funds. These funds account for the cost of certain services provided by the state. The Central Check Mailing Service Revolving Fund is a proprietary fund.
- 3) Fiduciary Funds include private-purpose trust funds. These funds account for assets held by the state in a trustee capacity or as an agent for individuals, other governments, and other funds. The Abandoned Fund Account Fund is a fiduciary fund.

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of 3 months or less, such as repurchase agreements. Cash balances of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund are pooled with other state funds and invested by the State Treasurer.

E. Investments

These are long-term investments with an original maturity greater than 3 months which are expected to be held to maturity and redeemed at face value. All investments are reported at fair value.

F. Interfund Receivables/Payables

The state makes various transactions between funds to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as "due from other funds" on the Balance Sheet and Statement of Net Position. Payables are classified as "due to other funds" on the Balance Sheet and Statement of Net Position. These receivables/payables are due within one year.

G. Capital Assets

Capital assets, which include equipment, software, and software in progress, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for equipment is \$1,000 and for software is \$5,000.

Equipment and software are depreciated/amortized using the straight-line method of depreciation/amortization over a useful life of 3 to 10 years.

H. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements since they are presented on the modified accrual basis of accounting. These long-term liabilities include the following:

Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid.

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the state.

2. Deposits, Investments and Securities Lending Program

The Office of State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Described below is the portfolio that represents the "Cash and Cash Equivalents" and "Investments" as reported at June 30, 2013.

A. Deposits

The state minimizes custodial credit risk by restrictions set forth in state law and stipulations in the State Treasurer's Investment Policy. Custodial credit risk is risk that, in the event of the failure of a depository financial institution, the state will not be able to recover deposits or will not be able to recover collateralized securities that are in the possession of an outside party. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri, which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50 percent at the time of deposit and deposits must be collateralized at least 100 percent with approved securities. Deposits must have a maturity of five years or less and earn interest at varying rates based on state law.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or in repurchase agreements maturing within 90 days secured by U.S. Treasury or Agency securities of any maturity. There have been no violations of these investment restrictions during fiscal year 2013.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the State Treasurer will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the state will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer minimizes custodial credit risk by requiring that all securities be held in

the state's name at the state's custodial bank, Wells Fargo Bank, National Association, or at one of the State Treasurer approved collateral custodians.

The state's investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 2.5 years, and holding at least 25 percent of the portfolio's total market value in securities with a maturity of 12 months or less.

The State Treasurer minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 10 percent of the total time deposits with any single financial institution. State investment policy limits investment in commercial paper to 5 percent of the total portfolio per issuer and no more than 15 percent of the total portfolio may be invested in repurchase agreements with a single counterparty. There are no restrictions in the amount that can be invested in U.S. securities. During fiscal year 2013, the state did not have any instances of noncompliance with these requirements and policies.

The State Treasurer requires investments in commercial paper and bankers' acceptances to have the highest letter and numerical ranking (such as A1/P1) as rated by at least two Nationally Recognized Statistical Rating Organizations (NRSROs). The State Treasurer does not have any additional policies regarding credit ratings of investments.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer does not have any deposits or investments in foreign currency and therefore does not have a policy regarding foreign currency risk.

#### C. Securities Lending Program

The Missouri Office of State Treasurer participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.7, RSMo. As of December 2011, Citibank, National Association, began acting as the State Treasurer's custodial bank and securities lending agent.

Collateral may be in the form of cash, securities issued or guaranteed by the U.S. government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the Office of State Treasurer. Collateral must be provided in the amount of 102 percent of the then market value of the loaned securities and accrued interest, if any. The maximum duration gap between loans and investments shall be 15 days. The maximum life of term loans shall be 90 days. The Custodian provides for full indemnification to the Office of State Treasurer



for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

### 3. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental Activities:				
Capital Assets not being Depreciated/Amortized:				
Software in Progress	\$ 18,081	\$ 18,140	\$ (36,221)	\$ 0
Total Capital Assets not being Depreciated/Amortized	<u>18,081</u>	<u>18,140</u>	<u>(36,221)</u>	<u>0</u>
Capital Assets being Depreciated/Amortized:				
Equipment, Governmental Funds	133,860	14,821	(7,275)	141,406
Software, Governmental Funds	49,192	49,221	0	98,413
Equipment, Proprietary Funds	<u>13,046</u>	<u>0</u>	<u>0</u>	<u>13,046</u>
Total Capital Assets being Depreciated/Amortized	<u>196,098</u>	<u>64,042</u>	<u>(7,275)</u>	<u>252,865</u>
Less Accumulated Depreciation/ Amortization for:				
Equipment, Governmental Funds	(91,269)	(15,268)	7,275	(99,262)
Software, Governmental Funds	(42,081)	(7,111)	0	(49,192)
Equipment, Proprietary Funds	<u>(6,670)</u>	<u>(2,733)</u>	<u>0</u>	<u>(9,403)</u>
Total Accumulated Depreciation/Amortization	<u>(140,020)</u>	<u>(25,112)</u>	<u>7,275</u>	<u>(157,857)</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>56,078</u>	<u>38,930</u>	<u>0</u>	<u>95,008</u>
Governmental Activities Capital Assets, Net	<u>\$ 74,159</u>	<u>\$ 57,070</u>	<u>\$ (36,221)</u>	<u>\$ 95,008</u>

4. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
Governmental Activities: Compensated Absences	\$ 110,980	\$ 98,525	\$ 103,143	\$ 106,362	\$ 103,143
Total Governmental Activities	\$ 110,980	\$ 98,525	\$ 103,143	\$ 106,362	\$ 103,143

5. Payables

A summary of accounts payable at June 30, 2013, is shown below:

	Governmental Funds	Proprietary Fund	Balance June 30, 2013
Accounts Payable:			
Vendors	\$ 10,817	\$ 1,123	\$ 11,940
Employees	38,764	0	38,764
Total Accounts Payable	\$ 49,581	\$ 1,123	\$ 50,704

6. Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2013, is shown below:

<u>Due To/From Other Funds</u>			
	Treasurer's General Operations Fund	Central Check Mailing Service Revolving Fund	Totals
Due to Other Funds:			
General Government	\$ 44,954	\$ 0	\$ 44,954
Totals	\$ 44,954	\$ 0	\$ 44,954
Due From Other Funds:			
General Government	\$ 0	\$ 21,332	\$ 21,332
Totals	\$ 0	\$ 21,332	\$ 21,332

Interfund assets do not equal interfund liabilities because only funds related to the Office of State Treasurer are being presented, not all state funds.

7. Restatements

During fiscal year 2013, net position of the Central Check Mailing Service Revolving Fund was restated due to a decrease in amounts due from other funds following an adjustment for uncollectible amounts. A summary of this restatement is shown below:

June 30, 2012, Net Position Previously Reported	\$ 29,096
Prior Period Adjustment	<u>(1,275)</u>
June 30, 2012, Net Position Restated	<u>\$ 27,821</u>

## Required Supplementary Information

**OFFICE OF STATE TREASURER  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2013**

	Treasurer's General Operations Fund				Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 1,425,348	1,425,348	1,425,348	0	\$ 2,923	2,923	2,923	0
Resources (Inflows):								
Interest	2,798,911	2,798,911	2,489,601	(309,310)	0	0	0	0
Cost Recovery/Miscellaneous	1,089	1,089	969	(120)	8,015	8,015	640	(7,375)
Total Resources (Inflows)	2,800,000	2,800,000	2,490,570	(309,430)	8,015	8,015	640	(7,375)
Amount Available for Appropriation	4,225,348	4,225,348	3,915,918	(309,430)	10,938	10,938	3,563	(7,375)
Charges to Appropriations (Outflows):								
General Government	2,048,967	2,048,967	1,833,331	215,636	8,000	8,000	536	7,464
Transfers Out	623,463	632,287	631,283	1,004	19	19	19	0
Total Charges to Appropriations	2,672,430	2,681,254	2,464,614	216,640	8,019	8,019	555	7,464
Ending Budgetary Fund Balance	\$ <u>1,552,918</u>	<u>1,544,094</u>	<u>1,451,304</u>	<u>(92,790)</u>	\$ <u>2,919</u>	<u>2,919</u>	<u>3,008</u>	<u>89</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			#####				(2,361)	
Investments at Fair Value			1,129,057				2,340	
Invested Securities Lending Collateral			80,842				168	
Accounts Payable			(10,817)				0	
Accrued Payroll			(38,764)				0	
Due to Other Funds			(44,954)				0	
Securities Lending Obligation			<u>(80,842)</u>				<u>(168)</u>	
Fund Balance - GAAP Basis			\$ <u>1,347,015</u>				\$ <u>2,987</u>	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

OFFICE OF STATE TREASURER  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The Budgetary Comparison Schedule in Required Supplementary Information (RSI) presents comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

The Budgetary Comparison Schedule reports revenues and expenditures on a budgetary basis where "actual" revenues are recognized when cash is received, and "actual" expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with generally accepted accounting principles. A reconciliation of the two for the fiscal year ended June 30, 2013, has been presented at the bottom of the Budgetary Comparison Schedule.

The "original budget" expenditures and transfers represent the amounts originally appropriated for each fund. The "final budget" expenditures and transfers include increases and decreases to appropriations during the fiscal year.

In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between "budgeted" and "actual" expenditures and transfers on the budgetary schedule will always be positive.

## Supplementary Information

## Schedule 1

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2013			2012		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>GENERAL REVENUE FUND</b>						
Issuing duplicate/outlawed checks	\$ 2,587,597	2,586,752	845	3,210,000	3,178,861	31,139
Refunds of excess interest from the linked deposit program	405	405	0	100	30	70
Total General Revenue Fund	2,588,002	2,587,157	845	3,210,100	3,178,891	31,209
<b>TREASURER'S GENERAL OPERATIONS FUND</b>						
Personal service	1,575,924	1,425,765	150,159	1,554,742	1,457,835	96,907
Expense and equipment	270,672	212,440	58,232	270,672	196,909	73,763
Unemployment benefits	10,183	3,520	6,663	10,183	907	9,276
Treasurer state owned building	192,188	191,606	582	199,866	197,094	2,772
Total Treasurer's General Operations Fund	2,048,967	1,833,331	215,636	2,035,463	1,852,745	182,718
<b>TREASURER'S INFORMATION FUND</b>						
Expense and equipment	8,000	536	7,464	8,000	1,806	6,194
Total Treasurer's Information Fund	8,000	536	7,464	8,000	1,806	6,194
<b>CENTRAL CHECK MAILING SERVICE REVOLVING FUND</b>						
Personal service	23,418	21,541	1,877	22,978	22,968	10
Expense and equipment	225,000	46,995	178,005	225,000	84,695	140,305
Total Central Check Mailing Service Revolving Fund	248,418	68,536	179,882	247,978	107,663	140,315
<b>ABANDONED FUND ACCOUNT FUND</b>						
Personal service	525,756	511,005	14,751	517,401	502,500	14,901
Expense and equipment	98,600	86,326	12,274	98,600	78,966	19,634
Advertising and auctions	918,621	918,064	557	955,000	954,827	173
Payment of claims for abandoned property	38,451,000	38,155,002	295,998	38,000,000	36,413,796	1,586,204
Unemployment benefits	0	0	0	2,241	2,240	1
Total Abandoned Fund Account Fund	39,993,977	39,670,397	323,580	39,573,242	37,952,329	1,620,913
Total All Funds	\$ 44,887,364	44,159,957	727,407	45,074,783	43,093,434	1,981,349

The accompanying Notes to the Supplementary Information are an integral part of this statement.



Schedule 2

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,	
	2013	2012
Personal service	\$ 1,958,311	1,983,303
Travel	15,366	21,416
Expense and equipment	415,984	448,599
Communications expense	87,840	83,995
Professional services	790,085	842,589
Equipment repairs and maintenance	77,044	62,011
Equipment and software purchases	69,648	55,687
Abandoned fund claim payments	38,155,002	36,413,796
Replacement of outlawed checks	2,586,752	3,178,861
Unemployment benefits	3,520	3,147
Refunds of excess interest from the linked deposit program	405	30
Total Expenditures	\$ 44,159,957	43,093,434

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 3

OFFICE OF STATE TREASURER  
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS  
YEAR ENDED JUNE 30, 2013

	Furniture and Equipment	Software	Software in Progress	Motor Vehicles	Total General Capital Assets
Balance, June 30, 2012	\$ 346,286	57,739	18,081	15,431	437,537
Additions	23,860	49,221	18,140	0	91,221
Dispositions	(31,824)	0	(36,221)	0	(68,045)
Balance, June 30, 2013	<u>\$ 338,322</u>	<u>106,960</u>	<u>0</u>	<u>15,431</u>	<u>460,713</u>

Fund of Acquisition	Balance June 30, 2013
General Revenue Fund	\$ 143,396
Treasurer's General Operations Fund	238,120
Central Check Mailing Service Revolving Fund	13,046
Second Injury Fund	829
Abandoned Fund Account Fund	63,623
Treasurer's Information Fund	1,699
Total All Funds	<u>\$ 460,713</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

## Schedule 4

## OFFICE OF STATE TREASURER

## COMPARATIVE STATEMENT OF FUNDS IN CUSTODY OF STATE TREASURER

	June 30,				
	2013	2012	2011	2010	2009
<b>APPROPRIATED FUNDS</b>					
Demand Deposits:					
US Bank	\$ 21,066	19,521,037	19,576,124	36,059,240	25,073,436
Central Bank	72,111,952	8,162,215	69,141,278	51,298,737	62,447,766
Wells Fargo Bank	75,026,626	0	0	0	0
Commerce Bank	8,637,503	10,063,041	14,987,119	15,006,383	8,986,650
Bank of New York Midwest	0	75,045,355	50,045,196	50,190,689	463,418
UMB Bank	13,939	(1,032,510)	(25,491,067)	(132,951,485)	(98,153,059)
Collection bank accounts	1,958,119	2,560,911	12,160,071	1,990,604	2,976,740
Total Demand Deposits	157,769,205	114,320,049	140,418,721	21,594,168	1,794,951
Pooled Investments:					
Time deposits	559,725,267	569,867,495	652,429,893	589,443,027	619,916,057
U.S. government securities	2,300,958,056	2,070,031,748	2,224,602,562	2,473,096,949	2,138,596,968
Commercial paper and banker acceptances	0	0	61,693,783	0	183,069,065
Repurchase agreements	846,675,000	887,623,000	1,213,394,000	704,639,000	344,236,000
Total Pooled Investments	3,707,358,323	3,527,522,243	4,152,120,238	3,767,178,976	3,285,818,090
Total Demand Deposits and Pooled Investments	3,865,127,528	3,641,842,292	4,292,538,959	3,788,773,144	3,287,613,041
Special Fund Dedicated Investments:					
U.S. government securities	41,280,359	39,270,832	39,282,060	35,817,480	34,239,743
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	41,285,489	39,275,962	39,287,190	35,822,610	34,244,873
Total Appropriated Funds	3,906,413,017	3,681,118,254	4,331,826,149	3,824,595,754	3,321,857,914
<b>NONAPPROPRIATED FUNDS</b>					
Demand deposits	12,375,296	10,640,648	10,926,394	12,584,187	13,198,903
Repurchase agreements	1,000,000	1,006,000	0	1,000,000	1,280,000
Commercial paper and banker acceptances	0	0	999,988	0	0
Time deposits	0	0	0	0	1,000,000
Total Nonappropriated Funds	13,375,296	11,646,648	11,926,382	13,584,187	15,478,903
Total Cash and Investments	\$ 3,919,788,313	3,692,764,902	4,343,752,531	3,838,179,941	3,337,336,817

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 5

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS

		Year Ended June 30,				
		2013	2012	2011	2010	2009
INTEREST RECEIPTS						
General and special funds	\$	23,614,348	26,429,849	31,748,010	39,599,319	97,518,011
Debt retirement funds		1,515,945	2,288,094	2,906,855	6,742,590	16,181,881
Total Appropriated Funds		25,130,293	28,717,943	34,654,865	46,341,909	113,699,892
Trust funds		1,473	6,539	3,792	3,730	166,375
Total Interest Receipts	\$	25,131,766	28,724,482	34,658,657	46,345,639	113,866,267

The accompanying Notes to the Supplementary Information are an integral part of this statement.

## Notes to the Supplementary Information

OFFICE OF STATE TREASURER  
NOTES TO THE SUPPLEMENTARY INFORMATION

1. General Capital Assets

Capital assets, which include equipment and software, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for all equipment is \$1,000 and software is \$5,000.

Equipment and software are depreciated/amortized using the straight-line method of depreciation/amortization over a useful life of 2 to 10 years for equipment and 3 to 5 years for software. Accumulated depreciation/amortization on general capital assets at June 30, 2013, was \$354,314.

2. Basis of Presentation

The amounts presented in Schedules 4 and 5 represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subject to appropriation; trust funds are not. The schedules do not include any funds or investments that are not in the custody of the State Treasurer.

3. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U.S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U.S. government or any agency or instrumentality thereof maturing or becoming payable not more than 5 years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in bankers acceptances issued by domestic commercial banks possessing the highest rating issued by at least 2 nationally recognized statistical rating organizations and in commercial paper, issued by domestic corporations, which has received the highest rating issued by at least 2 nationally recognized statistical rating organizations. Investments in bankers acceptances and commercial paper shall mature and become payable not more than 180 days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain, and adhere to a written investment policy which shall include an asset

allocation plan limiting the total amount of state money which may be invested in each investment category authorized by law.

### Deposits

The State Treasurer maintains approximately 216 bank accounts throughout the state. These accounts include collection accounts which are demand deposit accounts for various state agencies, and the state's primary operating accounts which are also demand deposit accounts. Cash balances in the state's operating accounts which are not needed for immediate use are invested.

The State Treasurer's deposits at June 30, 2013, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo, require depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

### Investments

The State Treasurer's investments at June 30, 2013, are listed by type below to give an indication of the level of risk assumed by the state at year end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

	Reported Amount	Fair Value
Time deposits	\$ 559,725,267	559,725,267
U.S. government securities	2,300,958,056	2,276,250,113
Repurchase agreements	847,675,000	847,675,000
Other investments	41,285,489	41,456,072
Total Investments	\$ 3,749,643,812	3,725,106,452

Investments are recorded at acquisition cost except "other" investments which are recorded at par. Investments in time deposits and repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

#### 4. Demand Deposit and Collection Accounts

The demand deposits with US Bank on Schedule 4 consist of one central demand account at June 30, 2013 and 2012, two at June 30, 2011 and 2010, and one at June 30, 2009. The demand deposits with Central Bank consist of 31 central demand accounts at June 30, 2013, 30 at June 30, 2012, 26 at June 30, 2011, 28 at June 30, 2010, 27 at June 30, 2009.

The demand deposits with Commerce Bank consist of nine central demand accounts at June 30, 2013 and 2012, and seven at June 30, 2011, 2010, and 2009. The demand deposits with Bank of New York consist of no central demand accounts at June 30, 2013, and two at June 30, 2012, 2011 and 2010, and one at June 30, 2009. The demand deposits with Wells Fargo consist of two central demand accounts at June 30, 2013, and no central demand accounts at June 30, 2012, 2011, 2010, and 2009. The demand deposits with UMB Bank consist of one central demand account at June 30, 2013, four at June 30, 2012, and five at June 30, 2011, 2010, and 2009. Demand deposit bank balances were \$21,066, \$19,521,037, \$19,576,124, \$36,059,240, and \$25,073,472, at June 30, 2013, 2012, 2011, 2010, and 2009, respectively, for US Bank; and \$170,849,347, \$116,710,766, \$102,649,356, \$9,661,807, and \$101,388,206, at June 30, 2013, 2012, 2011, 2010, and 2009, respectively, for Central Bank; and \$8,812,671, \$10,423,780, \$15,157,804, \$15,083,622, and \$9,081,750 at June 30, 2013, 2012, 2011, 2010, and 2009, respectively, for Commerce Bank; and \$0, \$75,076,252, \$50,118,446, \$50,224,767, and \$0 at June 30, 2013, 2012, 2011, 2010, and 2009, respectively, for Bank of New York; \$75,014,605 at June 30, 2013 and \$0 at June 30, 2012, 2011, 2010, and 2009, respectively, for Wells Fargo; and \$13,939, \$249,250, \$53,005,800, \$55,312,039, and \$46,778,874 at June 30, 2013, 2012, 2011, 2010, and 2009, respectively, for UMB Bank.

The collection bank accounts on Schedule 4 consist of three master concentration accounts and their related collection accounts. The General Concentration, Conservation Concentration, and Lottery Concentration Accounts were at Central Bank at June 30, 2013, 2012, 2011, 2010, and 2009 and have been reported above. The related collection account bank balances were \$2,243,064, \$2,641,064, \$2,983,788, \$2,533,016, and \$3,080,097 at June 30, 2013, 2012, 2011, 2010, and 2009, respectively.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. The negative balances at June 30 (Schedule 4) for the appropriated funds demand deposits represent the book balance net of amounts invested.

##### 5. Special Fund Dedicated Investments

The State Treasurer is assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Schedule 4 represent specific investments made or held by the State Treasurer on behalf of the Pansy Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection, distribution, and record-keeping duties related to the investments of these funds.

The investments of the Pansy Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments which were transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are made in accordance with the instructions of the State Public School Fund investment committee.



## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

OFFICE OF STATE TREASURER  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>Salary Increases</b>
-------------------------

The State Treasurer's Office (STO) provided salary increases to some employees that were not provided to other state employees.

In addition to a 2 percent cost of living adjustment in July 2012 (an increase provided to state employees paid less than \$70,000 per year), the State Treasurer provided significant additional salary increases to four senior level and capitol staff during fiscal year 2013. These additional salary increases totaled approximately \$38,000 annually, and represented annual increases of approximately 12 to 23 percent for these four employees.

According to the Deputy State Treasurer, these salary increases were based on job performance, change in job responsibilities, and a desire to bring the salary of certain STO staff to a level equal to other state employees in a similar position. However, the STO did not prepare and maintain documentation justifying the pay increases and did not document how the amounts of the increases were determined.

Although Section 30.120, RSMo, grants the State Treasurer the authority to establish employee compensation, given the recent state budget constraints and that other state employees have generally not received such pay increases, the State Treasurer should re-evaluate the reasonableness and necessity of further additional salary increases.

**WE RECOMMEND** the State Treasurer discontinue providing pay increases significantly over and above those provided to other state employees in the future. In addition, for any such pay increases provided in the future, the STO should prepare and maintain documentation justifying the increases and explaining how the amounts were determined.

**AUDITEE'S RESPONSE**

*This audit marks the Office of State Treasurer's fifth consecutive clean audit. As stated in the audit, the Auditor has found no material deficiencies in internal controls and no instances of legal or contractual noncompliance or other matters required to be reported under Government Auditing Standards.*

*The Auditor's finding regarding salary increases acknowledges that, pursuant to Section 30.120 RSMo, the State Treasurer has the authority to establish employee compensation. All salaries and salary increases in the Treasurer's Office are within its appropriation authority and are well within, often below, comparable positions in state government. Unlike other state agencies, the State Treasurer's Office does not utilize automatic career advancements, such as step or merit*

*increases. Instead, the general philosophy of the office is to hire new employees at a lower salary and then increase an employee's salary after, when possible, he or she has demonstrated a solid and high quality work performance. Additionally, as noted by the Auditor's report, those employees who received salary increases in fiscal year 2013 did so because of exceptional job performance and after the acceptance of additional job duties and responsibilities. Adherence to the recommendations made by the Auditor in this finding would encourage employers to hire new employees at the highest possible salary range because of an inability to provide raises in the future based on work performance or the employee's acceptance of new and additional responsibilities.*

*The ability to retain employees who exhibit excellence is fundamental to any organization's performance. The Office of State Treasurer will continue to implement prudent compensation and professional human resource practices that help it achieve its core mission and goals. The staff of the State Treasurer's Office is the foundation of that effort - protecting and investing taxpayer dollars, modernizing operations, helping families save for college, managing our state's banking system and returning millions of dollars in Unclaimed Property to the individuals who own it.*

*This audit confirms the Office of State Treasurer met all constitutional duties and all duties set forth in statute exactly as prescribed.*

#### **AUDITOR'S COMMENT**

The audit finding recognizes the State Treasurer's authority to provide raises to staff. However, individual raises of 12 to 23 percent appear somewhat unreasonable, especially when not accompanied by contemporaneously prepared documentation of the reasons for the raises and how the amounts were determined.

## STATISTICAL SECTION

## Organization and Statistical Information

## OFFICE OF STATE TREASURER ORGANIZATION AND STATISTICAL INFORMATION

The State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U.S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.

The accounting and banking services area 1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, 3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state, 4) reconciles bank activity to receipt and disbursement activity reflected on the state books, 5) determines the amount of state monies not needed for current operating expenses, and 6) confirms daily disbursements with the bank as certified by the Office of Administration.

The disbursements and records area provides processing support to other departments of the State Treasurer's Office, as follows: 1) provides retrieval of state checks, and 2) controls and processes outlawed checks and processes and verifies claims for replacement checks.

The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Division is responsible for 1) ensuring unclaimed property is reported, 2) receiving and recording reports of unclaimed property, 3) depositing unclaimed funds to the Abandoned Fund Account Fund, 4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and 5) processing owner claims for abandoned funds or physical property.

On January 14, 2013, Clint Zweifel was inaugurated for his second term as the forty-fifth Treasurer of the state of Missouri. His term will expire in January 2017.

As of June 30, 2013, the State Treasurer's Office had 42 full-time positions and 3 part-time positions to assist in the accomplishment of its mission.